

**Halifax-Dartmouth
Bridge Commission**
1999 Annual Report

Traffic at a glance...

Highest traffic day ever recorded:

Friday, October 23, 1987 - 107,881 crossings

Highest traffic day in 1999:

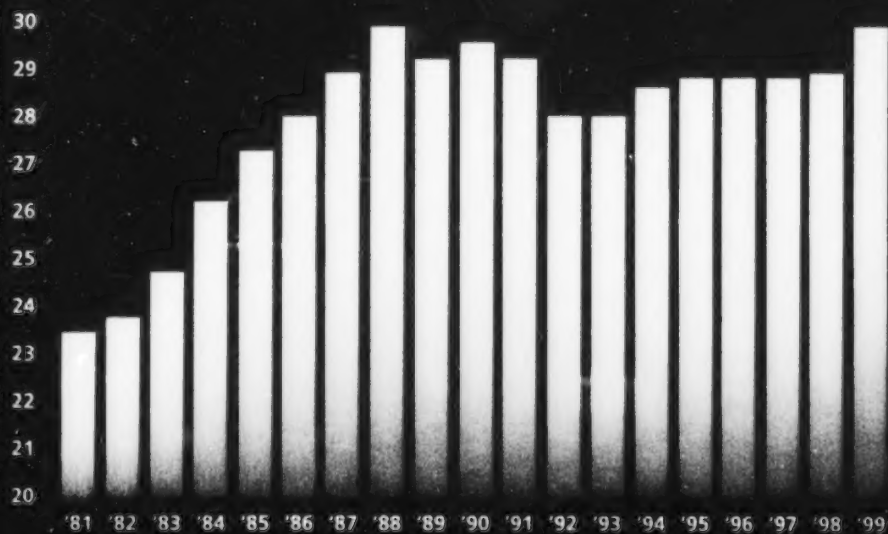
Friday, December 3 - 107,851 crossings

Number of days exceeding 100,000 crossings...

In 1998: 4

In 1999: 25

*Total Annual Traffic Volume
Number of Crossings (Millions)*



Chairman's Message

This was a banner year for the Halifax-Dartmouth Bridge Commission. Since its incorporation in 1950, the Commission has had three such years – the opening of the Angus L. Macdonald Bridge in 1955, the opening of the A. Murray MacKay Bridge in 1970, and the opening of the new third lane on the Macdonald Bridge in 1999. In 1999, we celebrated a series of milestones within the Macdonald Bridge Third Lane Project, such as the opening of the new pedestrian sidewalk in February, the Barrington Street ramp in August, and the official opening for the entire project in October.

The new third lane on the Macdonald Bridge has not just met, but has exceeded, our expectations. In combination with MacPass, it has reduced overall congestion on the bridges by approximately 50%. There are many indicators of this, including our own observations of traffic on the toll plazas, favourable comments from the traveling public, and media traffic reports that consistently describe "a good trip across the bridges", even during peak hours. It is not only motorists who have benefited from the Macdonald Bridge Third Lane Project. Pedestrians now enjoy a wider, safer and more convenient sidewalk, while cyclists can ride across the bridge on the new bicycle lane. We look forward to opening the bicycle lane on a permanent basis in the late spring of 2000.

Traffic on the bridges has grown slowly but steadily in recent years, which is the reason we decided to add the third lane. In spite of closures and construction in 1999, we experienced a total traffic increase of almost 900,000 crossings over 1998. It is likely that bridge traffic will increase further as a result of the improved economic outlook for the region. We will look at ways of encouraging MacPass usage to ease congestion and maintain smooth traffic flow on the bridges. Increasing MacPass usage also has the added benefit of reducing air pollution by cutting down on vehicle idling time at the toll plazas.

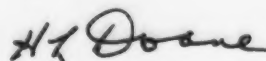
Revenue in 1999 increased over 1998, due to the fairly significant traffic increase. Because of the third lane, Barrington Street ramp and other physical or capital improvements coming into use, depreciation also increased in 1999. For this reason, we reported a decrease in net income. A portion of our income will be reinvested into the bridges, while most is set aside for debt reduction in 2007, when the bond issue comes due. The financial health of the Commission is demonstrated

by the fact that we were able to carry out the \$55.3 million Macdonald Bridge Third Lane Project and other capital improvements without a toll increase, and also by the reconfirmation of our high bond ratings by two major independent bond rating agencies.

The timing of the completion of the Macdonald Bridge Third Lane Project in the fall of 1999 was opportune because in September, we hosted the International Bridge Tunnel & Turnpike Association (IBTTA) 67th Annual Meeting & Exhibition. This meeting is held annually in major cities around the world. Over 800 delegates, exhibitors and guests came to Halifax, the third highest attendance ever.

At the end of December 1999, two municipal appointees to the Board, Councillors Graham Downey and Ron Cooper, completed their terms. Mr. Downey was one of the longest serving members of the Halifax-Dartmouth Bridge Commission. We thank Mr. Downey and Mr. Cooper for their contributions and their guidance through a period of exceptional progress. In January 2000, we welcomed two new municipal appointees, Councillors Harry McInroy and Jack Greenough, to the Board. As with all new appointees, they will bring a unique knowledge and perspective to the Board, and we look forward to working with them.

It has been very gratifying to see many years of hard work and planning realized. Over the course of the past year, the Macdonald Bridge has been transformed from a construction site with bumps, detours and closures, to a modern new facility with smooth flowing traffic. The fact that this \$55.3 million project was completed ahead of schedule and under budget is a tremendous credit to our board, staff, engineers, contractors and all those involved. Since we announced the project over three years ago, 1999 was the year we had been waiting for, and by all accounts, it was well worth the wait.



H. L. Doane F.C.A.
Chairman



H.L. Doane, F.C.A.
Chairman

Halifax-Dartmouth Bridge Commission

Mandate and Structure

The Halifax-Dartmouth Bridge Commission was created in 1950 by a statute of the Province of Nova Scotia to construct, operate and maintain bridges and their approaches across the Halifax Harbour between Halifax and Dartmouth and across the North West Arm. As a commission of the provincial government, its financing is approved by the Provincial Cabinet, and, as a public utility, its toll rates are approved by the Nova Scotia Utility & Review Board.

The Halifax-Dartmouth Bridge Commission is totally self-funding. The bridges are operated on a user-pay basis, without tax dollars, and the Commission's loans are not guaranteed by any level of government.

There are nine members on the Commission. The Province of Nova Scotia appoints five members to the Board, including the Chairman and the Secretary, and the Halifax Regional Municipality appoints four of its councillors to the Board. Within the board structure, there are subcommittees dealing specifically with finance, public relations and maintenance.

The Halifax-Dartmouth Bridge Commission employs 24 permanent, full-time administration and maintenance staff, 50 members of the Canadian Corps of Commissionaires on a contract basis, and 50 seasonal painting and gardening staff.

Operations

Operations at the bridges continue around the clock, 365 days a year.

The Canadian Corps of Commissionaires have provided services for the Halifax-Dartmouth Bridge Commission since 1955. The Commissionaires are primarily responsible for the collection of over \$20 million in tolls annually. They also monitor traffic with video surveillance, provide quick response to accidents and incidents while minimizing traffic disruption, and offer general assistance to customers in the lanes.

Radar operations are conducted regularly to control speed on the bridges and enhance safety. All Commissionaires have Special Constable status, enabling them to enforce Bridge Commission By-laws and the Motor Vehicle Act.

The newest aspect of operations, which has greatly improved the level of service provided to bridge customers, is electronic toll collection, or MacPass.

*The annual
BridgeWalk,
August 1999.*

Opened in 1970, the A. Murray MacKay Bridge spans the north end of the Halifax Harbour and handles 57,000 crossings daily.

The Canadian Corps of Commissionaires have provided toll collection services since 1955.

MACPASS – Electronic Toll Collection

MacPass was introduced in the fall of 1998. MacPass is a small transponder device that is placed on the windshield of a vehicle. It allows bridge users to pay tolls electronically from a pre-paid account, without stopping to deposit cash or tokens. MacPass users pay a one-time cost of \$30.00 for the transponder, and receive the same discounted toll rates (15–20% lower than cash) as token users. MacPass can be used in all lanes, and, for added convenience, there are a number of "MacPass Only" lanes on both bridges. A 24-hour automated customer service line allows customers to retrieve information about their MacPass accounts by phone or fax.

Over 80% of current MacPass users chose to make payments automatically, using a credit card. MacPass accounts for 25% of total traffic volume during peak periods, and over 50% of the daily commercial traffic volume.

While MacPass is primarily seen as benefiting individual users, there are benefits to all bridge users. Because it enables a customer to roll through the tolls without stopping, the transaction time is a fraction of that required for a token or cash payment. Over the next couple of years, the Commission will continue to improve its operations by increasing MacPass usage to facilitate traffic flow and reduce the auto emissions that result from congestion.

"I appreciate the efforts the Commission has taken to reduce our transit time to and from work. The third lane and my MacPass have reduced my transit time by 40 minutes each day. I am thankful that I can spend this time with my family rather than sitting in traffic!"

Kathy Harrigan, Dartmouth



MacPass works in all lanes at both bridges. MacPass users also enjoy the convenience of "MacPass Only" lanes.

The staff at the MacPass Customer Service Centre serve over 20,000 MacPass users, issuing an average of 700 new transponders monthly.

Maintenance

Throughout the year, the Halifax-Dartmouth Bridge Commission's full-time maintenance staff is responsible for the general maintenance of the bridges, buildings, vehicles, toll equipment and other property.

Many of the Commission's maintenance activities are seasonal. From November to April, the winter maintenance schedule is in effect. Around-the-clock coverage ensures that the bridges are quickly salted and cleared of snow and ice as required. Since bridge decks freeze faster than roadways, both the Macdonald and MacKay bridges are equipped with an ice detection system. Sensors on the roadway and weather stations at mid-span provide information about the conditions on the bridge and give advance freeze warnings, so that the bridges can be salted before ice forms.

In the summer months, painting and landscaping are a priority. Painting the entire length of both bridges requires 36 painters, working five months of the year, for three years. Continuous painting is necessary to keep the bridges looking good, but more importantly, to prevent rusting and corrosion of the steel. Summer gardening staff maintain approximately 10 acres of land around the bridges and approaches, and also put in the floral logos for charities on the Halifax end of the MacKay Bridge.

The Halifax-Dartmouth bridges are maintained in superior condition, thanks to the daily vigilance of staff, and the attention of the consulting engineers, who conduct comprehensive annual inspections. The annual inspection serves to identify immediate, mid-term and long-range requirements to be incorporated into the maintenance schedule.

The goals of the maintenance program are to enhance the safety, convenience and appearance of the bridges, and to maximize their useful life.



Laying and infilling steel grid deck in the area where the old sidewalk was removed.

Adding finishing touches to the new "old" bridge.



"With all the changes made over the last two years, the traffic situation to and from, as well as on the bridge, has improved tremendously. It is amazing how much traffic flow has improved to the point of hardly ever having any back ups anymore. In other words, it is now a real pleasure to use this bridge due to the changes you have implemented."

*Ruedi Meier, Vice President (Atlantic Region), Kuehne & Nagel,
International Logistics and Transportation Management*

Macdonald Bridge Third Lane Project

The Macdonald Bridge Third Lane project was initiated due to a need to replace the deteriorated concrete deck in the approach spans. Since expanded bridge capacity would be needed in the foreseeable future, the Commission decided to save money and spare the inconvenience of a second construction, by carrying out an expansion in conjunction with the deck replacement.

This \$55.3 million project began in the spring of 1997 and consisted of three separate contracts. The Third Lane Project included replacing the concrete deck in the approach spans with new, lightweight orthotropic steel plate deck, expanding the roadway from two to three traffic lanes and adding a new, external sidewalk and bicycle lane. The contract for the Halifax Approaches included construction of the Barrington Street access ramp,

and improving North Street access. The contract for the Dartmouth Toll Plaza consisted of realigning the toll plaza and carrying out improvements to the intersection of Wyse Road/Nantucket Avenue.

The project was one of the major infrastructure projects in the region over the past three years, injecting over \$125 million into the local economy and creating an estimated 1000 person years of direct and indirect employment. Many local firms gained valuable expertise, enabling them to compete for related work both nationally and internationally.

On September 23, 1999, a full two months before the contract completion date, the new third lane became operational. The third lane dramatically reduced congestion by doubling peak hour capacity, and the benefits were felt immediately. An official opening was held in October and, to celebrate the successful completion of the project and thank the traveling public, the Commission made both bridges toll-free for a day.

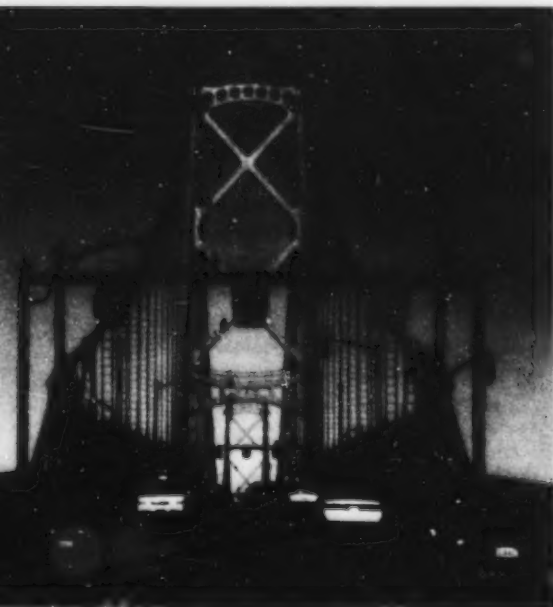
The reversible third lane has had a perfect safety record since it began operating. In 2000, a 16-camera, digital video recording system will be installed. This system will provide 24-hour surveillance of the Macdonald Bridge span, approach ramp, sidewalk and bicycle lane, allowing quick response to accidents or incidents anywhere on the bridge. Emergency telephone boxes, linked directly to the bridge's control office, will be installed on the sidewalk and bicycle lane for added security.

The bicycle lane, which could not be completed in the fall due to cold temperatures, will be finished in the late spring and opened on a full-time basis.

The new centre lane is reversible to accommodate peak hour traffic flow.



The Barrington Street ramp under construction. The ramp has greatly improved access on the Halifax end of the Macdonald Bridge.



Management Discussion & Analysis

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of Halifax-Dartmouth Bridge Commission. It combines an analysis of trends and year-to-year changes in the results with an outlook to the future. Some of the amounts in this presentation are rounded or approximated. This discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

Accounting Policy

The Commission is reporting as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

Results of Operations

For the year ended December 31, 1999 income from operations was \$5,732,301 as compared to \$7,433,852 for 1998. The variances within revenues and expenses are discussed later in this section.

The Commission experienced negative cash flow for 1999 of \$1.5 million, as indicated on the Statement of Cash Flows. This reduction in cash was a direct result of the ongoing renovations to the Angus L. Macdonald Bridge, which were partially financed by cash on hand at the beginning of the year and 1999 operating cash. At the end of 1999 cash on hand was \$397,800.

The factors having a significant impact on the 1999 results are discussed in the following sub-sections.

Revenues

Toll Revenue

Toll revenue in 1999 was up by \$670,100 or 3.2% over 1998. Traffic volume in 1999 was up by 896,928 vehicles or 3.1% over 1998. Traffic mix by vehicular class explains the difference in the percentage increases. This growth was achieved as a result of increased economic activity in the Halifax region.

Other Rate Charges

Other rate charges represent amounts charged to utilities and the municipality for the use of the Macdonald Bridge to run their cables and pipes between Halifax and Dartmouth.

Investment and Sundry Income

Investment income on the operations, maintenance and administration (OMA) fund and the debt service fund amounted to \$204,984 in 1999, compared to \$194,348 in 1998.

Other revenue increased in 1999 by \$157,182.

Total Revenue

These revenue changes resulted in an increase of total revenue in 1999 of \$846,993.

Revenue Outlook

Toll revenues are expected to increase through 2000 as a result of increased economic activity. Construction on the Macdonald Bridge is now completed and the reversible third lane has been in operation since September 1999.

Other rate charges are expected to remain stable in 2000. Investment income is expected to increase in 2000 as a result of earnings from the Sinking Fund and Capital Fund which are to be established as required by the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1. (See: "Appropriation to Restricted Assets Outlook".)



Preparing the new sidewalk for the wearing surface.

Expenses

Operating, Maintenance and Administrative Charges

The 1999 OMA expenses were up \$176,533 or 3.94% over 1998. The two largest components of this increase arise from the first full year's operation of our Electronic Toll System (MacPass) which accounted for \$82,000 and an increased painting program that accounted for \$69,000.

Amortization of Capital Assets

Amortization (depreciation) of capital assets for 1999 was up \$1,585,722 over 1998 due to the balance of the capital additions on the Angus L. Macdonald Bridge being put in use in 1999.

Interest on Long Term Debt and amortization of deferred financing costs

Interest on long term debt, interest on line of credit and amortization of deferred financing costs expense for 1999 was up \$786,269 from 1998. This increase is due to additional borrowing and interest on the line of credit.

Total Expenses

These expense variations resulted in an increase in total expenses for 1999 of \$2,548,524.

Expense Outlook

OMA expenses are expected to increase in 2000, due primarily to planned maintenance projects on the A. Murray MacKay Bridge.

Amortization of capital assets is expected to increase in 2000 as a result of a full year's amortization being taken on the Angus L. Macdonald Bridge capital project.

Interest on long term debt, line of credit and amortization of deferred finance costs is expected to remain stable during 2000.

Other Income (expense)

The Commission received a one-time, nonrecurring GST refund for the period 1991 to 1996 due to Revenue Canada retroactively granting the Commission full GST/HST exemption status.

Other income (expense) outlook

No significant Other Income (Expense) items are anticipated for 2000.

Appropriation to Restricted Assets

Under the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 in December 1997, the Commission established two reserve funds; an OMA reserve equal to 25% of annual OMA expenses and a Debt Service Reserve Fund equal to 50% of annual interest costs on the Toll Revenue Bonds. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit.

OMA and Debt Service Reserve Funds will be contributed to, or withdrawn from, annually as necessary to maintain them at their required amounts.

Appropriation to Restricted Assets Outlook

Under the terms of the Trust Indenture, in 2000 the Commission will establish a Sinking Fund by contributing \$500,000 quarterly and a Capital Fund by contributing \$750,000 quarterly. These reserves are restricted in their use and will be designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Earnings Outlook

Revenue for 2000 is expected to increase over 1999 revenue.

Expenses for 2000 will increase over 1999 due to increased amortization (depreciation) and scheduled maintenance projects.

Overall, it is expected that net income for 2000 will be comparable to that of 1999.



Application of slip-resistant wearing surface on the new sidewalk.



The Halifax end of the Macdonald Bridge after construction.

Liquidity and Capital Resources

The following discussion on Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a negative cash flow of \$1.5 million.

Operating Activities

The Commission's operating activities generated \$6.5 million in positive cash flow during 1999. 1998 produced positive cash flow from operations of \$15.6 million before financing and investing activities. Continued positive cash flows from operations is anticipated for 2000.

Financing Activities

During 1999, an additional \$4 million was drawn on the \$30 million line of credit. No further draw on the line of credit is anticipated for 2000.

The Commission expects that operating cash will provide required liquidity for 2000.

Investing Activities

The Commission incurred capital expenditures of \$11.9 million in 1999, down from \$39.3 million in 1998. The major expenditures were \$10.6 million incurred on the Macdonald Bridge capital project. Under the terms of the Toll Revenue Bond Trust Indenture, the Commission maintained two reserve funds in 1999. In 1999 the OMA Fund was increased by \$104,053 in order to meet the requirements of the Trust Indenture for 2000.

As outlined in the section "Appropriation to Restricted Assets Outlook", two additional funds, a Sinking Fund and a Capital Fund, will be established in 2000.

Capital Structure

The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series 1 are outstanding.

The long term debt of the Commission is \$123 million which is made up of \$100 million Toll Revenue Bonds Series 1, which bear an annual interest rate of 5.95% and mature on December 4, 2007, and \$23 million on a line of credit. This revolving line of credit has a limit of \$30 million and bears a floating interest rate. For 1999 this rate ranged

between 5.2% and 5.7%. The line of credit matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the line of credit is paid annually.

The Toll Revenue Bonds Series 1 are rated as follows:

Dominion Bond Rating Service	AA (low)
Standard and Poors Ratings Group	A+

Year 2000

Over the past two years the Commission undertook a complete review of its computer systems for the purpose of identifying and assessing potential Year 2000 exposure. No major issues were discovered and all systems rolled forward into 2000 without any problems.

Regulation

Nova Scotia Utility and Review Board (NSURB)

For certain purposes, the Commission is deemed to be a public utility and subject to the general supervisory powers of the Nova Scotia Utility and Review Board. By the terms of the Commission's Act of Incorporation, the Commission is not subject to the provision of the Public Utilities Act (Nova Scotia) relating to:

- (i) new construction, improvements, betterments, or extensions to its property;
- (ii) issuance of shares, stocks, bonds, debentures or any evidence of indebtedness;
- (iii) proper and adequate annual depreciation of its assets; and
- (iv) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSURB approval.

Securities Regulations

The Commission is subject to securities regulation in all provinces of Canada.

Management Report

The financial statements and all the information in this annual report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using generally accepted accounting principles and methods appropriate to the Commission including, where applicable, amounts based on management's best estimates. Financial information elsewhere in this annual report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorizations practice, that assets are properly safeguarded and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

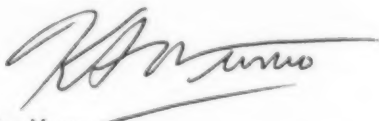
The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility principally through its Finance Committee.

The Finance Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the quarterly and annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors, are engaged to provide an independent audit of the annual financial statements in accordance with generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Finance Committee.



Steven Snider
General Manager and C.E.O.



Ken Munro
Treasurer

Painting one
of the main
towers of the
Macdonald
Bridge.



Auditor's Report

To the Chairman and Commissioners of the
Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 1999 and 1998 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Levy Casey Carter MacLean

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 4, 2000

Halifax-Dartmouth Bridge Commission Balance Sheet December 31

Assets	1999	1998
Current		
Cash	\$ 397,800	\$ 1,916,846
Receivables		
Trade	289,412	4,950
Accrued interest	5,824	8,046
Recoverable HST (note 2)	638,533	1,489,941
Transponder inventory (note 1(c))	158,858	479,008
Prepaid expenses	143,923	129,051
	1,634,350	4,027,842
Deferred financing costs and discounts, net of accumulated amortization of \$1,754,639 (1998 - \$912,412) (note 1(e))	6,667,627	7,509,853
Capital assets (note 3)	80,536,689	72,469,009
Restricted assets (note 4)		
Investment - OMA Fund	1,329,053	1,225,000
Investment - Debt Service Fund	2,975,000	2,975,000
	\$ 93,142,719	\$ 88,206,704
Liabilities		
Current		
Payables and accruals	\$ 1,771,035	\$ 3,757,667
Capital project holdbacks payable	753,477	4,453,113
Accrued interest payable	456,438	456,438
Deferred revenue (note 1(b) and 5)	2,293,427	2,055,254
	5,274,377	10,722,472
Long term debt (note 6)	123,000,000	119,000,000
Deficit		
Reserve for restricted assets (note 4)	4,304,053	4,200,000
Deficit	(39,435,711)	(45,715,768)
	(35,131,658)	(41,515,768)
	\$ 93,142,719	\$ 88,206,704

On behalf of the Board

H. Doane Chairman
Linda J. Moore Secretary

Halifax-Dartmouth Bridge Commission Statement of Income and Deficit Year Ended December 31

	1999	1998
Revenue		
Toll revenue (note 1(b))	\$ 21,590,347	\$ 20,920,247
Other rate charges	104,075	95,000
Investment and sundry income		
OMA and Debt Service Funds	204,984	194,348
Other	238,829	81,647
	22,138,235	21,291,242
Expenses		
Operating, maintenance and administrative charges	4,654,925	4,478,392
Amortization of capital assets	3,847,643	2,261,921
Interest on long term debt and amortization of deferred financing costs (note 7)	7,903,366	7,117,097
	16,405,934	13,857,410
Income from operations	5,732,301	7,433,832
Other income		
Non-recurring GST rebate from prior years	651,809	—
Net income	6,384,110	7,433,832
Deficit, beginning of year	(45,715,768)	(53,089,600)
	(39,331,658)	(45,655,768)
Appropriation to restricted asset reserve	(104,053)	(60,000)
Deficit, end of year	\$ (39,435,711)	\$ (45,715,768)

Halifax-Dartmouth Bridge Commission Statement of Cash Flows Year Ended December 31

	1999	1998
Operating Activities		
Net income	\$ 6,384,110	\$ 7,433,832
Amortization of capital assets	3,847,643	2,261,921
Amortization of debt discount and refinancing costs	842,227	842,227
Loss (gain) on disposal of capital assets	(4,363)	122,696
	11,069,617	10,660,676
Net change in non-cash working capital balances (note 8)	(4,573,658)	4,916,473
	6,495,959	15,577,149
Financing Activities		
Proceeds from Line of Credit	4,000,000	19,000,000
Investing Activities		
Proceeds from disposal of capital assets	13,885	6,806
Increase in OMA Fund investments	(104,053)	(85,000)
Decrease in Debt Service Fund investments	—	25,000
Purchase of capital assets	(11,924,837)	(39,328,636)
	(12,015,005)	(39,381,830)
Decrease in cash during year	(1,519,046)	(4,804,681)
Cash, beginning of year	1,916,846	6,721,527
Cash, end of year	\$ 397,800	\$ 1,916,846

Halifax-Dartmouth Bridge Commission

Notes to Financial Statements December 31, 1999

1 Significant Accounting Policies

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board. The Commission recognizes revenue at the time a vehicle crosses a bridge.

c) Transponder inventory

Inventory is recorded at the lower of cost and net realizable value.

d) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, and some bridge components, which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use.

Upon completion of the Macdonald bridge third lane project in 1999, the estimated remaining useful life of the major components of this bridge were increased to 40 years from 35 years for amortization purposes, based on consultation with the Commission's external consulting engineers. This change is applied to amortization expense for 1999 and future years.

e) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

See chart at the end of the notes.

4. Restricted assets

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain two reserve funds, which will be funded from the revenues of the Commission, after payment of current operating, maintenance, and administrative expenses.

The operating, maintenance, and administrative (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts.

The debt service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts.

The reserve funds are held and invested by the trustee on behalf of the Commission. Both reserve funds were invested on December 31, 1999 at 5.2% maturing in June, 2000.

5. Deferred Revenue

	1999	1998
Unredeemed Tokens	\$1,811,048	\$1,810,245
Electronic Toll Collection (ETC) Accounts	482,379	245,009
	<u>\$2,293,427</u>	<u>\$2,055,254</u>

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long term debt

	1999	1998
a) Toll Revenue Bonds	\$100,000,000	\$100,000,000
b) Revolving Line of Credit	23,000,000	19,000,000
	<u>\$123,000,000</u>	<u>\$119,000,000</u>

a) 5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4). The Commission is also required to make quarterly contributions of \$500,000 each to a Sinking Fund, commencing in the first quarter of the year 2000; and quarterly contributions of \$750,000 each to a Capital Fund, also commencing in the first quarter of the year 2000.

b) 90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$30,000,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the \$100,000,000 fixed rate long term debt, based on the quoted market price for the same issue at December 31, 1999, is \$94,050,000.

Payments required to the Sinking Fund and Capital Fund over the next five years are as follows:

2000	\$ 5,000,000
2001	\$ 5,000,000
2002	\$ 5,000,000
2003	\$ 5,000,000
2004	\$ 5,000,000

7. Interest on long term debt and amortization of deferred financing costs

	1999	1998
Interest on long term debt		
Toll Revenue Bonds	\$5,950,000	\$5,950,000
Line of Credit	1,111,139	324,870
Amortization of deferred financing costs and discounts	842,227	842,227
	<u>\$7,903,366</u>	<u>\$7,117,097</u>

8. Net change in non-cash working capital balances

	1999	1998
Increase (decrease) in cash from changes in:		
Receivables	\$ 569,168	\$ (869,587)
Transponder inventory	320,150	(185,483)
Prepaid expenses	(14,872)	10,787
Payables and accruals	(5,686,277)	5,772,422
Deferred revenue	238,173	188,334
	<u>\$ (4,573,658)</u>	<u>\$ 4,916,473</u>

9. Pension plan

The Commission sponsors a defined contribution pension plan for all their permanent employees. No future contributions are required in respect of past service at December 31, 1999.

10. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The purposes of the Commission are to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

11. Commitments

The Commission has a contract with Walter & SCI / Cherubini in the amount of \$44,442,879, net of change orders, plus HST for the construction and installation of new deck, dedicated pedestrian and bicycle lanes, and plaza work at the Macdonald Bridge. As at December 31, 1999, \$44,342,075 plus HST had been incurred on this contract. See Note 2 to the financial statements for the HST status of the Commission.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. Additional Credit Facility

The Commission has a \$5,000,000 operating loan facility with a chartered bank which bears interest at prime rate minus .25% per year. The operating facility is subject to annual review and is unsecured. If the Credit Limit is exceeded at any time, interest will be calculated on the excess amount at prime plus 2% per year. As at December 31, 1999, no advances were outstanding.

14. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

Capital Assets (Note 3)

	1999		1998	
	Rate	Cost	Accumulated Amortization	Net Book Value
Land		\$ 5,735,046	\$ -	\$ 5,735,046
Buildings	40 yrs s.l.	1,939,974	1,200,132	739,842
Bridge and bridge components				
A.L. Macdonald Bridge	20 to 85 yrs s.l.	66,389,599	7,769,354	58,620,245
A.M. MacKay Bridge	15 to 80 yrs s.l.	21,934,588	9,750,073	12,184,513
Computer equipment	30% d.b.	326,986	188,545	138,441
Toll and other equipment	20% d.b.	5,572,967	2,648,871	2,924,096
Mobile equipment	30% d.b.	739,162	544,656	194,506
		<u>\$ 102,438,322</u>	<u>\$ 22,101,633</u>	<u>\$ 80,336,689</u>

MacPass Statistics

Percentage of total crossings with cash, tokens, and MacPass

Before MacPass was introduced

Cash 37.2%

Tokens 62.8%

In December 1999

Cash 35.8%

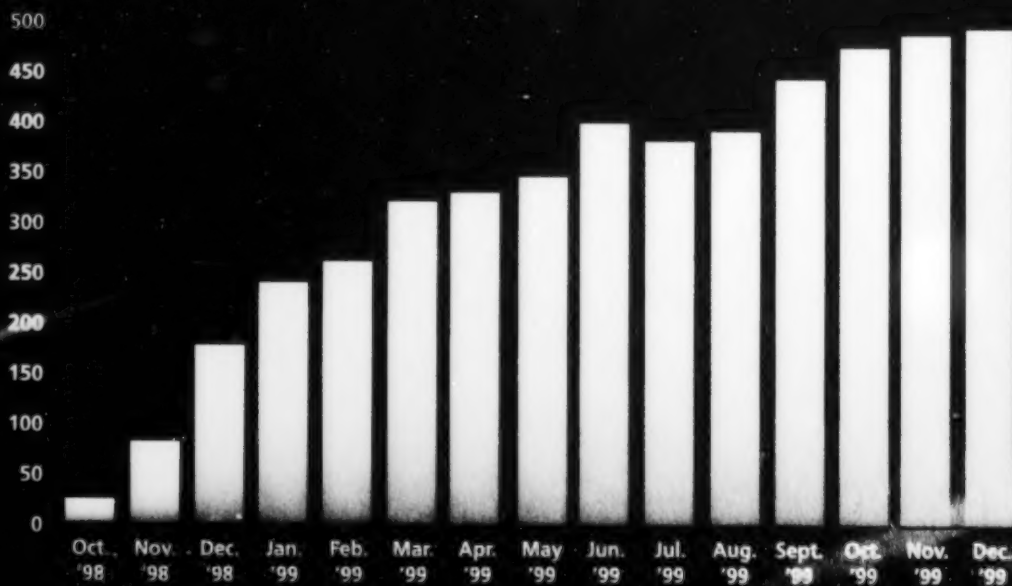
Tokens 44.5%

MacPass 19.7%

Growth in MacPass Usage

(Total number of crossings per month)

Number of Crossings (Thousands)



Average total monthly traffic volume is 2.5 million crossings.



**Halifax-Dartmouth
Bridge Commission**

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HDBC Board Members

Larry Doane, Chairman

Linda Moreash, Secretary

Jerry Blumenthal

Ron Cooper*

John Cunningham (Chair, Public Relations Committee)

Graham Downey*

Donna Foulkes (Chair, Maintenance Committee)

Bill Stone

Michele Wood-Tweel (Chair, Finance Committee)

*Retired December 31, 1999. Replaced by

Jack Greenough

Harry McInroy